

**Vermont Pension Investment Committee
Economically Targeted Investment Program**

**RFP Questions & Answers
June 3, 2008**

1. Preferred securities are an asset class that many institutions deem socially conscious due to the asset class make up. Preferreds are dominated by financial services, insurance companies, banks, to a lesser degree utilities. Would the state of Vermont consider an allocation to preferred securities to satisfy this RFP?

A. *The VPIC can consider preferred securities as an investment option.*

2. Would the ETI program make multiple investments in the same firm across different years (provided the firm still met the requirements of the ETI program and applied in the normal way)?

A. *The VPIC may make multiple investments with the same firm in multiple years, notwithstanding that investment manager diversification is likely to be considered.*

3. Are the Venture Capital, Venture Lending, and/or Growth Private Equity asset class target allocations currently fully funded for the VPIC? If so, would this preclude the ETI program from making further investments in these areas and what would the size and timing limitations be?

A. *Private equity asset classes such as those mentioned above are not fully funded for any of the retirement systems participating in VPIC investments.*

4. What current percentage is the ETI program of the VPIC's \$3.3 billion in assets?

A. *There is no specified percentage of total VPIC assets committed to ETIs. The VPIC ETI program is relatively new and no investments pursuant to the VPIC ETI program have been funded to date. However, the Vermont Retirement Systems (VRS) prior to VPIC have made limited investments that included local economic objectives comprising less than one-half percent of VRS assets. These investments were not made as part of a formal ETI policy.*

5. Please detail all the investments of the ETI program for the last 3 years (including type of entity and size of investment).

A. *Please see answer to question 4 above.*

6. Please name all the Venture Capital, Venture Lending, and Growth Private Equity firms receiving investments from the ETI program since inception.

A. *Please see answer to question 4 above.*

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7. How much of the ETI's total program per year can be dedicated to a single investment? In the areas of Venture Capital, Venture Lending, and Growth Private Equity, what is the largest commitment that the ETI would be comfortable making in a single year?

A. *There are no formally stated limits to the amount that could be made in a single investment in one year, although manager diversification would likely be a VPIC consideration. There are no formally stated limits to private equity investments such as those stated above beyond a 2% to 3% allocation limit to alternative investments for the participating retirement systems. However, diversification of managers and investment types within the asset category of alternative investments would likely be a VPIC consideration.*

8. What is VPIC's anticipated investment period for capital deployment for Venture Capital, Venture Lending, and Growth Private Equity firms for ETI program investments?

A. *There is no formally stated investment period for capital deployment for private equity investments such as those stated above, notwithstanding that the appropriateness of the investment period relative to the investment type would likely be a VPIC consideration.*

9. What was the result of last year's first RFP for this new ETI program?

A. *Four responses were received. The VPIC has elected to pursue one of these investments subject to certain conditions; this investment, therefore, is pending.*

10. What is history of direct investments in Vermont Housing Finance Agency taxable municipal bonds or in community housing?

A. *The VPIC has made no such direct investments. However, at least one Vermont Retirement System made an investment in VHFA municipal bonds dating back to the 1990s. Federal housing bonds may be purchased on behalf of VPIC at various times by external managers.*

11. Would the three pension systems administered by the VIPC commit separately to ETI or on a commingled basis?

A. *VPIC acts as a fiduciary for the three Vermont Pension Systems and for the Burlington Employees' Retirement System. This issue has not been vetted by the VPIC to date. It is likely that ETIs would be made on behalf of all participating*

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systems, although it may be possible for one or more systems to forego investment as determined by the VPIC.

12. Does the general requirement for approval of subcontractors apply to external sub-advisers and distributors for investment funds

A. *Yes.*

13. Would the VPIC consider selection of multiple advisors for the ETI program, or is it seeking a single one?

A. *The VPIC would consider multiple investment managers.*

14. What benchmarks for measuring fixed income ETI performance will the VPIC utilize?

A. *The benchmark for fixed income ETIs should be appropriate to the class of fixed income securities in the ETI. The VPIC will consider a range of benchmarks, as appropriate to the class of securities. There is no separate ETI benchmark.*

15. Does the VPIC have requirements for union construction or prevailing wage agreements? Is this a factor in the investment manager selection process?

A. *First question answer: no. Second question answer: this has not been a factor to date.*

16. As part of its selection criteria, will the VPIC examine whether investing in liquid “AAA” Ginnie Mae, Fannie Mae, and Freddie Mac securities (even for underlying Vermont mortgages) really ameliorates the capital gap?

A. *The VPIC will review all investments as to how well they address one or more capital gaps in Vermont. Inasmuch as the securities mentioned above may have a higher or lower degree of creation of gap capital depending on how they are formed and what they fund, these securities types may or may not satisfy the capital gap criterion.*

17. Will the VPIC consider whether funds designed primarily to garner Community Reinvestment Act credit are able to address the capital gap for workforce housing for tenants whose incomes may reach 120% of area median or more?

A. *All proposals addressing one or more Vermont capital gaps will be considered.*

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18. Can the RFP itself be used for answering questions in order? If so, can we obtain a Microsoft Word copy of the RFP for this purpose?

A. *The RFP may be used. For convenience, a Word version of Section 4 of the RFP may be obtained by contacting Donna Holden, at donna.holden@state.vt.us PLEASE NOTE that provision of this Section 4 is for convenience only and should not be viewed as a substitute for the RFP as may be amended on the Vermont Treasurer's website. Response to the full RFP is still required.*

19. In reference to 2.1.2, Criteria 1: How do you determine the discounting of projected returns for any subsidies, deferral of income, higher risk levels, etc?

A. *This will be done on a case-by-case basis if and as needed. There are no formal procedures in place at this time.*

20. What is the minimum investment amount that will be considered for proposals in the Domestic Fixed Income Investment category? The maximum?

A. *As stated in the RFP, maximum limits are subject only to asset class target allocation limits. There are no formal minimums.*

21. What is the minimum investment term that will be considered under the same category? The maximum?

A. *There are no set investment minimums or maximums. However, the investment term's length as appropriate to its asset class is likely to be considered.*

22. How will you determine the benchmark for investment rate in the same category?

A. *The VPIC will consider a range of benchmarks as to appropriateness for different investment categories. Also see response to Question 14 above.*

23. What exactly are the qualifications for a "qualified discretionary investment manager?" (2.1.2, Criteria 3)

A. *There are no formal minimum criteria. Manager experience, track record, organizational stability and other factors will be considered.*

24. Can you clarify what exactly (what specific content? documents? data?) will be required for each of the reporting schedules, both monthly to the State's custodian bank and quarterly to the State's Investment Consultant and representatives?

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A. *Reporting schedules should include, but not necessarily be limited to and depending on the type of investment, investment quantity (units, shares, etc.), investment beginning balance, investment income, investment realized and unrealized appreciation/depreciation, investment ending balance, and relevant investment portfolio data. Depending on the type of investment, the periodicity of change in this report may be monthly or quarterly.*

25. Will an award under this RFP bring with it any additional/new audit requirements?

A. *Depending on the level of financial review/audit currently in place, it is possible that an investment to an awarded bidder could be contingent upon additional or new audit requirements.*

26. Can you give examples of other investments in the Domestic Fixed Income Investment category?

A. *Please see the second bullet point in RFP Section 2.1.3.*

27. For ETI funds that are targeting a region larger than the State of Vermont, what percentage of VPIC committed funds need to be pledged for investment in Vermont in order to be considered for an economically targeted investment by the VPIC? If too small a percentage is proposed, is it probable that the VPIC would request from the bidder a higher percentage before turning down the proposal?

A. *While an ETI's overall allocation to investments outside of Vermont may dominate the investment's allocation, the manager's reasonable expectation that substantially all of the VPIC committed funds will be invested in Vermont should be a component of all VPIC ETI proposals. If a proposal is unable to meet this requirement, the bidder should expect that the VPIC will turn the proposal down without further consultation with the bidder.*